

Minutes of the Board of Trustees

City Of Cincinnati

Retirement System

January 5, 2007

The Chairperson called the meeting to order at 2:00 p.m. with the following members present:

Marijane Klug, Chairperson
Joe Gray, Secretary
David Rager, (proxy for City Manager Dohoney)
Gina Marsh (proxy for Council member Cranley)
Jason Barron (proxy for Mayor Mallory)
Donald Beets
Michael Fehn
Michael Rachford
V. Daniel Radford
Brian Pickering

Member/s Absent
Margaret Allen

Staff present: John Boudinot, CRS Executive Director, Keith Giles, Supervisor of Pension Plans, John Walsh, Investment Officer and Linda Johnson, Board Recorder

Ms. Klug called for a motion to approve the minutes of the December 7, 2006 Board Meeting. Mr. Pickering requested a correction be made on page 5, to change the 2nd paragraph. Ms. Klug requested the minutes be amended reflect the change to the December 5, 2006 minutes. A motion to approve the minutes was made by Mr. Radford, seconded by Mr. Gray and carried by the Board.

Mr. Boudinot introduced the new Investment Consultants, Marquette Associates, to the Board. Mr. Brian Wrubel and Mr. Brett Christeson, both Managing Directors, are the lead consultants for the CRS.

BENEFITS COMMITTEE

Mr. Rachford reported that the Benefits Committee met on Thursday January 4, 2007 at 2:00 p.m. in Committee Room B. Mr. Rachford presented the following report to the Board:

1. Application for Ordinary Retirement - January 15, 2007: Total – 13

NO.	NAME	DEPARTMENT
40738	Alison Posinski	Water Works
41419	Kenneth Henry	Water Works
43416	Charles Donegan	Water Works
44389	Diane Barnes	University Hospital
44638	Daniel Tierney	MSD
44681	Howard Frye	University of Cincinnati
44681	Lataunya McGrew	University of Cincinnati
44861	Arthur Gaines	Water Works
47377	Charles Campbell	MSD
48412	Frank Rotte	Water Works
52001	Joan Bedell	RCC
57103	Gary Pharo	Water Works
60241	Betty Frye	Water Works

2. Application for Early Retirement: Total – 1

NO.	NAME	DEPARTMENT
49118	Jeanne Davis	Health

3. Application for Deferred Retirement: Total – 4

NO.	NAME	DEPARTMENT
61522	Robert Campbell	MSD
46985	Jean Bange	RCC
51491	Tony Williams	Water Works
51401	Patricia Brown	Public Services

4. Application for Disability Retirement: Total – 2

NO.	NAME	DEPARTMENT
48093	John Ede	Engineering
52198	Leah Lackey Watts	Police

5. Application for Ordinary Retired Deaths: Total – 6

6. Application for Ordinary Death for Return of Contributions: Total – 1

NO.	NAME	DEPARTMENT
52175	Steve D. Harris	Public Works

Mr. Rachford moved that the Board approve the premium increase changes set by Social Security, effective January 1, 2007.

MOTION

“The Benefits Committee moves that the Cincinnati Retirement System Board of Trustees adopt a policy to reimburse eligible retirees at the base premium rate established by Medicare. Any additional fees established by Medicare for the higher income retirees would not be reimbursed. This policy will however, continue to provide 100% reimbursement for CRS retirees not falling into the higher income designations.”

Mr. Boudinot indicated that the corrected version of the code will be submitted as an emergency ordinance to City Council at their next meeting. The motion was seconded by Mr. Gray and carried by the Board.

Mr. Rachford presented the following motion to the Board, for employees with multiple city jobs for this time to be considered as pensionable service credit.

MOTION

It is moved that the above rule be amended so that supplemental jobs be included as pensionable for both service credit and average highest salary calculations. The maximum pensionable pay will be limited to the maximum annualized salary of the higher paying job.

The motion was seconded by Mr. Pickering and carried by the Board.

Mr. Rachford moved that the Board accept report of the Benefits Committee. The motion was seconded by Mr Gray and unanimously carried by the Board.

SECRETARY'S REPORT

Mr. Gray reported that as of November 30, 2006, the asset level of the fund was \$2.60 billion, a year-to-date increase of 7.59%. Mr. Gray also reported that the asset allocation of the investment portfolio was 52.7% domestic equities, 17.3% international equities, 28.3% fixed income, and 1.4% alternative assets/treasury cash. These actual asset allocations were all within the target bands defined in the asset allocation policy.

Mr. Rager moved that Board accept the Secretary's report. Mr. Radford seconded the motion, and the motion passed unanimously.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 18
2. Resolution for Return of Contribution & Deaths of Pensioned Members
Total: – 21 Amount: \$77,353.27
3. Resolution for Loans to Members – Total: 25 Amount: \$236,330.26
4. Resolution for Deaths of Pensioned Members – Total: 20
5. Resolution for Military Service Credit – Total: 1

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
V. Daniel Radford – Reimbursement for conference expenses incurred Dec. 9-13, 2006	\$2,781.95
Communications Technology Services – Payment for telephone services	\$994.50
The Berwyn Group – Professional Services Rendered	\$805.50
Ostermann Cron – Professional Services Rendered	\$9,161.00
Mae Consulting – Professional Services Rendered	\$180.00
Ohio Public Employees Retirement System – Reciprocity Transfers	\$7,598.53
State Teachers Retirement System – Reciprocity Transfers	\$219,704.71

ABS Business Products Inc. – Monthly Rental Billing for Copier	\$418.50
John Walsh – Reimb. for CRS supplies	\$55.93
Finance Accounts & Audits – Payment for November 2006 Cinsy billing	\$8,035.94
John Walsh – Reimb. for 4 CRS staff members conference & Registration expenses	\$2,360.00
IFEBP – InfoSvc Publications	\$195.00
Hilton Hawaiian Village – Conference & Hotel expenses for M. Rachford	\$2,230.24
NCPERS – Registration fee for M. Rachford	\$990.00
Business Information Solutions Inc. – Storage of CRS files	\$78.00
SARCOM – Professional Services Rendered	\$435.12
Michael Rachford – Reimb. for airfare for conference May 17-24, 2007	\$928.52
Lee Personnel Inc. – Temporary Personnel Services	\$1,058.35
Ohio Public Employees Retirement System – Reciprocity Transfer	\$127,927.51
Hilton Columbus Easton – Lodging for Conference 1/28-29/07 for J. Dietz	\$464.67
Hilton Columbus Easton – Lodging for Conference 1/28-29/07 for K. Giles	\$464.67

The Secretary reported that at the close of business December 31, 2006, there was in the Treasury to the credit of the Retirement System the amount of \$10,002,228.01.

Asset Valuation:

- December 31, 2005: \$2.42 billion
- October 31, 2006: \$2.60 billion
- YTD Increase (Decrease): 7.59%

Current Asset Allocation: (Interim Policy Objective)

- Domestic Equity: 52.7% (52.7%)
- International: 17.3% (16.9%)
- Fixed Income: 28.3% (29.5%)
- Alternative Assets/Treasury Cash: 1.7% (0.9%)

INVESTMENT COMMITTEE

Mr. Gray reported that the investment committee met twice since the last Board meeting. The committee met on December 7, 2006, and at that meeting presentations were made by Blue Chip Venture Capital as well as Fort Washington Investment Advisors. The CRS has invested in five previous Blue Chip Venture funds, and Blue Chip is soliciting investor commitments to their next fund. Fort Washington is a wholly owned subsidiary of Western-Southern, and they manage fund-of-fund private equity investments. Mr. Gray reported that these presentations were very helpful in understanding the options the Board would have for investing in private equity, but the committee would not make any recommendations on this asset class until the new investment consultant is on board.

Mr. Gray reported that the Investment Committee also met today at 11:30 with Marquette Associates, the new investment consultant. Mr. Gray commented that this initial meeting was very productive as Marquette proposed a new asset allocation that would introduce the CRS to new asset classes such as private equity, infrastructure, real estate, and long/short equity. Mr. Gray commented that this new asset allocation will result in a

more diversified portfolio with less exposure to the U.S. stock and bond markets. The objective is to build a portfolio with lower total risk exposure but also increases the probability the CRS will be able to meet its 8.75% actuarial assumption.

Marquette also recommended that three current CRS managers be terminated due to poor performance and that their assets be placed with a new index manager. Mr. Gray reported that the investment committee agreed with the recommendations made by Marquette and would forward them to the CRS Board for their approval.

Mr. Gray made a motion that the CRS Board of Trustees adopt the new asset allocation (core fixed income - 12.0%, high yield fixed income - 5.0%, infrastructure – 5.0%, real estate – 7.5%, U.S. equity – 43.5%, international equity – 17.0%, long/short equity – 5.0%, and private equity – 5.0%) recommended by Marquette. Also, that the CRS Board approve the termination of Oppenheimer, Ariel, and Navellier and hired Rhumblin Advisers to manage three separate index portfolios. Mr. Pickering seconded the motion, and the motion passed unanimously.

NEW BUSINESS

Committee Assignments

Board Chair M. Klug submitted the committee assignments which were effective January 1, 2007. The committee assignments are as follows:

Investment Committee

Joe Gray - Chair
Marijane Klug – Vice Chair
David Rager (Proxy for City Mgr. Milton Dohoney)
Dan Radford
Mike Fehn
Mike Rachford
Brian Pickering
Don Beets
Jason Barron (Proxy for Mayor Mallory)

Benefits Committee

Mike Rachford – Chair
Brian Pickering – Vice Chair
Joe Gray
Mike Fehn
Don Beets
Jason Barron (Proxy for Mayor Mallory)

Governance Committee

David Rager – Chair
Dan Radford – Vice Chair
Don Beets

Election Committee

Don Beets – Chair

Mike Fehn – Vice Chair

Mike Rachford

Marijane Klug

Election of Vice Chair

Mr. Gray then nominated the City Manager to serve as the Vice-Chair of the Board. (Mr. Rager serves as the City Manager's proxy to the CRS Board.) Mr. Pickering seconded the motion, and the motion passed unanimously.

2007 Employer Contribution Rate

Mr. Radford stated that it would be appropriate for the CRS Board to send a formal communication to City Council to acknowledge their support of the CRS by approving the 21.77% employer contribution rate for 2007. Mr. Radford commented that this was not an easy decision for City Council, particularly when they are dealing with tough budget issues.

Mr. Boudinot reported that he had already sent an e-mail to each City Councilmember thanking them for their support of the CRS, but would send a more official communication to City Council from the CRS Board.

ADJOURNMENT

At the request of Ms. Klug for a motion to adjourn, the motion was made by Mr. Rachford seconded by Mr. Gray and carried by the Board. The meeting was adjourned at 2:20 p.m.